

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 5798

**CLOVER PARK TECHNICAL COLLEGE**

Agency No. 696

July 1, 1995 Through June 30, 1996

Issue Date: March 21, 1997

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## TABLE OF CONTENTS

	Page
Overview .....	1
<b>Schedule Of Findings:</b>	
1. Clover Park Technical College Should Improve Internal Controls Over Realistic Training (Job Account) Programs .....	2
2. Clover Park Technical College Should Improve Controls Over The Fixed Asset System .....	3
Directory of Officials .....	5

**CLOVER PARK TECHNICAL COLLEGE**  
**Agency No. 696**  
**July 1, 1995 Through June 30, 1996**

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**Overview**

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We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at the Clover Park Technical College included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There were findings, which are listed in the Schedule of Findings following this Overview, for the Clover Park Technical College.

Brian Sonntag, CGFM  
State Auditor

December 17, 1996

CLOVER PARK TECHNICAL COLLEGE  
Agency No. 696  
July 1, 1995 Through June 30, 1996

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Schedule Of Findings

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1. Clover Park Technical College Should Improve Internal Controls Over Realistic Training (Job Account) Programs

Clover Park Technical College has many vocational programs that have retail operations open to the public. These job account programs provide hands-on experience for the students. The amounts charged to the customer for these activities are intended to cover the direct and indirect costs for the various programs. A few of the programs use cash registers, but most of the programs use a prenumbered work order to track job costs and revenues.

The Media Specialist program produces and copies video tapes for governmental and nonprofit entities. During our audit of the Media Specialist program, we found the work orders were not handled in compliance with school policy. Weaknesses we noted include:

- Work order forms were not prenumbered.
- Unnumbered work orders were being used.
- Work orders were not signed by the customers.
- Not all work orders were listed in the work order log.
- The work order log was prepared in pencil.
- Thirteen work orders were missing.
- Work was released without payment and without arrangement with the finance office for customer billing.

In addition to the work order problems, the Media Specialist program has consistently valued the jobs in progress at the amount receivable from the customer rather than cost. We also noted the instructor was trading services without the authorization of the school and dealing with customers not authorized by the Realistic Training Plan on file with the school administration.

The *Clover Park Technical College Policy Manual*, Section 3.05, describes the procedures required of all sales and cash handling. These procedures are in conformance with the Office of Financial Management manual, Section 6.2. The procedures state in part:

3.05-1 . . . Payment must be received prior to releasing any product or completing any service . . .

3.05-2 . . . 11. Purchase orders and state vouchers require a CPTC prenumbered invoice available from Financial Services . . . Billing for purchase orders and state vouchers must occur the next business day . . .

3.05-4 Each job account area must use a prenumbered work order . . . All work orders are to be used in numeric sequence and all numbers are to be accounted for in a log book . . . **Never throw away a voided work order** . . .

3.05-5 **Every** work order must be logged.

The policy also describes inventory procedures in Section 4.02-5, which says:

. . . **IMPORTANT:** WHEN PRICING ITEMS, USE THE AMOUNT THE SCHOOL PAID FOR THE ITEM AND NOT THE RETAIL PRICE. (Include shipping and taxes). **Do not include shop fees!**

We recommend Clover Park Technical College improve controls over the Media Specialist program by enforcing the school's procedures over work orders, sales, and inventory.

Auditee's Response

*Media Specialist Program ) The college is proceeding with disciplinary action.*

*The full-time position of Internal Auditor for the college will be filled by July 1, 1997.*

*A Director of Realistic Training Enterprises (Job Account) will be appointed by July 1, 1997.*

*A schedule of job account reviews has been established and is being conducted by the Finance and Budget Office.*

*A required in-service training for all personnel involved in job account will be conducted by April 1, 1997.*

Auditor's Concluding Remarks

We would like to thank the officials of Clover Park Technical College for their response to our finding. Based on the college's representation, it appears that the matter discussed in our report has been appropriately addressed. We will review this matter again at the time of our next audit.

2. Clover Park Technical College Should Improve Controls Over The Fixed Asset System

During our audit of the fixed asset system, we found the college had been maintaining the fixed asset inventory on their HP computer system. Because the college was intending to transition the fixed assets to the State Board of Community and Technical Services FAE system, there was a period of sixteen months when fixed assets purchases and disposals were not posted to the computer system.

The Office of Financial Management (OFM) *Policies, Regulations, and Procedures* manual in Section 3.2.2.2.5(d) requires a reconciliation between the physical inventory and the recorded inventory. In June 1996, the staff performed a physical count of the equipment on hand. To date, the college had not reconciled that listing to the computer listing. The college is in the process of implementing the new FAE system and expects to have the process complete by June 1997.

The OFM *Policies, Regulations, and Procedures* manual in Section 3.1.2.2.8 also requires all state agencies to develop written internal control policies that define small and attractive

assets and to specify control measures for such assets. To date the college has not established this policy.

We recommend the college establish a small and attractive equipment policy and use all necessary resources to implement the OFM reconciliation procedures.

Auditee's Response

*The purchases and surpluses from June 30, 1995, to date are being posted to the fixed asset system. The college will contract with an inventory firm to inventory and bar code all fixed assets over \$5,000 and small and attractive items as provided in the college policy.*

*The College Small and Attractive Equipment Policy has been established.*

*A reconciliation of the fixed asset inventory will be completed by the Finance and Budget Office following the data input and physical inventory by July 1, 1997.*

*An inventory control position will be filled by July 1, 1997.*

Auditor's Concluding Remarks

We appreciate the college's commitment to resolve the issues noted in our finding. We would like to take this opportunity to express our appreciation to the staff of Clover Park Technical College for their assistance and cooperation throughout the audit process.

**CLOVER PARK TECHNICAL COLLEGE**  
**Agency No. 696**  
**July 1, 1995 Through June 30, 1996**

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**Directory Of Officials**

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**Elected**

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		<u>Expiration</u>
Board of Trustees: Chairman	J. F. Bud Truebenbach	September 30, 2000
	Arnold Wright, CSM USA (Ret.)	September 30, 1997
	Janet S. Kovatch, Lt. Col. USAF (Ret.)	September 30, 1998
	William L. Hamilton	September 30, 1999
	Walter W. Waisath, Jr.	September 30, 2000
President	Alson E. Green, Jr.	

**Mailing Address**

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College	4500 Steilacoom Blvd SW Tacoma WA 98499-4098
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